

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Howell Township	County Livingston
Audit Date June 30, 2005	Opinion Date December 5, 2005	Date Accountant Report Submitted To State: December 22, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, PLLC</b>			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48076
Accountant Signature 			

# **Howell Township Livingston County, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2005**



# Howell Township, Livingston County, Michigan

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## Independent Auditor's Report

To the Township Board  
Howell Township  
Livingston County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Howell Township, Livingston County, Michigan as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Howell Township, Michigan's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Howell Township, Livingston County, Michigan as of June 30, 2005, and the respective changes in financial position thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Township Board  
Howell Township

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Howell Township's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

December 5, 2005

# **Howell Township, Livingston County, Michigan**

## **Management's Discussion and Analysis**

The following discussion and analysis of Howell Township, Michigan's annual financial report presents our view of the Township's financial performance during the fiscal year that ended June 30, 2005. Please read it in conjunction with the Township's basic financial statements, which follow beginning on page 9.

### **Financial Highlights**

The Township's total net assets increased this fiscal year. The net assets of our governmental activities increased by \$1.7 million or 9.8 percent.

During the year, the Township had revenues of \$3.4 million, which was \$1.7 million more than expenses.

The General Fund reported a surplus this year of approximately \$9,000.

### **Overview of the Financial Statements**

This annual report consists of the following report sections: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements are presented in two different formats: government-wide financial statements and fund financial statements.

The government-wide financial statements include the statement of net assets and statement of activities. These statements provide both long-term and short-term information about the Township's overall financial status.

The fund financial statements include the balance sheet and statement of revenue, expenditures, and changes in net assets/fund balances. These statements focus on individual parts of the Township government and report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds.

The governmental fund statements tell how general government services and public works were financed in the short-term as well as what remains for future spending.

The fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information presented in the basic financial statements.

# **Howell Township, Livingston County, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Government-wide Statements**

The Township's government-wide statements begin on page 9 of this report. These statements report information about the Township as a whole under the accrual method of accounting, which is similar to the accounting used by most private-sector companies. The statement of net assets includes both current and long-term assets and liabilities and the statement of activities includes all of the current year's revenues and expenses regardless of when cash is received or paid.

The combined objective of the government-wide statements is to report the Township's net assets and how they have changed. The reporting of net assets is one way to measure the Township's financial position.

The Township's government-wide financial statements report information in the governmental activities category. Most of the Township's basic services are included here, such as public works, community development, and general services. Property taxes, state revenue sharing, and charges for services are used to finance most of these activities.

### **Fund Financial Statements**

The Township's fund financial statements begin on page 11 of this report. These statements provide more detailed information about the Township's most significant funds. The Township uses funds to account for specific sources of funding and spending for particular purposes. Some funds are required by state law or bond covenants and others are established to control and manage money for particular purposes.

The Township has two fund types that use different accounting approaches:

- **Governmental Funds** - Most of the Township's basic services are included in governmental funds. These funds focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. These funds are reported using the modified accrual accounting method that measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Because governmental fund information has a short-term focus and the government-wide statements incorporate long-term information, we reconcile the differences at the bottom of the fund financial statements.
- **Fiduciary Funds** - The Township is the trustee, or fiduciary, and acts as a collection agent for certain other taxing jurisdictions such as the schools and county. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose. These activities are excluded from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

# Howell Township, Livingston County, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the Township as a Whole

The Township's combined net assets increased from \$17.6 million to \$19.3 million. The following table illustrates the varying results of the governmental activities that combine to capture the Township's total net assets.

	Governmental Activities	
	2005	2004
Current assets	\$ 8,706,114	\$ 7,055,648
Noncurrent assets	<u>22,680,386</u>	<u>19,849,914</u>
Total assets	31,386,500	26,905,562
Current liabilities	1,897,746	1,378,411
Long-term liabilities	<u>10,172,794</u>	<u>7,933,316</u>
Total liabilities	12,070,540	9,311,727
Net assets:		
Invested in capital assets - Net of related debt	3,357,614	4,017,480
Restricted	7,785,901	3,171,389
Unrestricted	<u>8,172,445</u>	<u>10,404,966</u>
Total net assets	<u><u>\$ 19,315,960</u></u>	<u><u>\$ 17,593,835</u></u>

Net assets of the Township's governmental activities increased by 9.8 percent to \$19.3 million. This increase is due to revenues exceeding expenses.



# Howell Township, Livingston County, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the Township as a Whole (Continued)

The following table displays the Township's changes in net assets:.

	Governmental Activities	
	2005	2004
<b>Revenue</b>		
Program revenue - Charges for services	\$ 1,170,997	\$ 1,512,242
General revenue:		
Property taxes	676,535	724,305
State-shared revenue	375,755	395,095
Unrestricted investment earnings	93,375	67,369
Franchise fees	25,487	23,782
Income from joint venture	1,079,590	1,676,829
Transfers and other revenue	17,716	13,327
Total revenue	3,439,455	4,412,949
<b>Program Expenses</b>		
General government	867,099	732,053
Public safety	3,289	103,536
Public works	288,327	823,093
Community and economic development	-	2,500
Recreation and culture	281	8,041
Interest on long-term debt	558,334	383,800
Total program expenses	1,717,330	2,053,023
<b>Change in Net Assets</b>	<b>\$ 1,722,125</b>	<b>\$ 2,359,926</b>

# **Howell Township, Livingston County, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **Governmental Activities**

- The cost of all governmental activities this year was \$1.7 million.
- The amount that Township taxpayers paid for these activities through Township taxes was approximately \$676,000.

### **The Township's Funds**

As the Township completed the year, its governmental funds (see the balance sheet presented on page 11) reported a combined fund balance of \$5.4 million.

- State revenue sharing decreased by 4.9 percent or \$19,340 from the prior year.
- Howell Township's employment levels increased and the cost of health care benefits continued to increase.

### **General Fund Budgetary Highlights**

Over the course of the year, the Township amended the budget to take into account events during the year. The Township departments overall stayed below budget. This allowed the General Fund's fund balance to increase from \$750,000 a year ago to \$758,765 at June 30, 2005.

### **Capital Assets**

At June 30, 2005, the Township had invested approximately \$14.4 million in a broad range of capital assets, including buildings, computer equipment, and water and sewer systems, net of accumulated depreciation. More detailed information about the Township's capital assets is presented in Note 7 to the financial statements.

### **Debt**

At year-end the Township had \$11 million in long-term debt outstanding. This represents a \$2.3 million increase from the previous year. More detailed information about the Township's long-term liabilities is presented in Note 9 to the financial statements. In July 2004, \$3.3 million in General Obligation Limited Tax Bonds were sold by the Township. The purpose was to fund an expansion to the MHOG water system. Revenues from the operation of the system will pay principal and interest on the bonds after payment of operation and maintenance expenses of the system.

# **Howell Township, Livingston County, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Economic Factors and Next Year's Budget and Rates**

The Township's budget for the 2006 fiscal year is balanced with no property tax rate increase. Estimated property tax revenues are expected to increase by approximately \$3,500. During the 2005 fiscal year, the Township experienced reductions in state revenue sharing.

Total expenditures in the general fund for the 2006 fiscal year are estimated to be \$1,038,369. The "Manager/Zoning Administration", "Assessing", and "General Unallocated" departments represent the largest components of overall budget expenditures with a total estimated combined cost of \$311,282.

### **Contacting the Township's Financial Management**

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Finance Director's office at Howell Township, 3525 Byron Road, Howell, MI 48855.

# Howell Township, Livingston County, Michigan

## Statement of Net Assets June 30, 2005

	Primary Government Governmental Activities
<b>Assets</b>	
Cash and investments (Note 4)	\$ 4,877,573
Receivables:	
State sources	57,651
Advances to future projects	974,379
Special assessments	2,788,643
Other	7,868
Investment in joint ventures (Note 11)	7,711,062
Reserves with County (Note 5)	556,473
Capital assets - Net (Note 7)	
Assets not subject to depreciation	1,923,923
Assets subject to depreciation	12,488,928
Total assets	31,386,500
<b>Liabilities</b>	
Accounts payable	481,406
Accrued and other liabilities	517,414
Noncurrent liabilities (Note 9):	
Due within one year	898,926
Due in more than one year	10,172,794
Total liabilities	12,070,540
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	3,357,614
Restricted:	
Road	1,077,804
Water and sewer construction activity at Livingston County	556,473
Debt service	4,105,246
Capital projects	2,046,378
Unrestricted	8,172,445
Total net assets	<u><u>\$ 19,315,960</u></u>

# Howell Township, Livingston County, Michigan

## Statement of Activities Year Ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary
					Government
					Governmental Activities
<b>Functions/Programs</b>					
Primary government:					
Governmental activities:					
General government	\$ 867,099	\$ 87,545	\$ -	\$ -	\$ (779,554)
Public safety	3,289	1,460	-	-	(1,829)
Public works	288,327	1,081,992	-	-	793,665
Recreation and culture	281	-	-	-	(281)
Interest on long-term debt	558,334	-	-	-	(558,334)
Total governmental activities	<u>\$ 1,717,330</u>	<u>\$ 1,170,997</u>	<u>\$ -</u>	<u>\$ -</u>	(546,333)
General revenues:					
Property taxes					676,535
State-shared revenues					375,755
Unrestricted investment earnings					93,375
Franchise fees					25,487
Income from joint ventures (Note 11)					1,079,590
Miscellaneous					17,716
Total general revenues					<u>2,268,458</u>
<b>Change in Net Assets</b>					1,722,125
<b>Net Assets</b> - Beginning of year, as restated (Note 2)					<u>17,593,835</u>
<b>Net Assets</b> - End of year					<u><b>\$ 19,315,960</b></u>

# Howell Township, Livingston County, Michigan

## Governmental Funds Balance Sheet June 30, 2005

	Major Governmental Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	Road Fund	Water Fund	Sewer Fund	Water Construction / MHOG	Capital Projects Fund	Parks and Recreation Fund	
<b>Assets</b>								
Cash and investments (Note 4)	\$ 237,247	\$ 1,121,790	\$ 1,298,943	\$ 114,283	\$ 1,464,541	\$ 597,639	\$ 43,130	\$ 4,877,573
Receivables:								
State sources	57,651	-	-	-	-	-	-	57,651
Interest receivable	-	-	-	-	-	-	-	-
Advances to future projects	974,379	-	-	-	-	-	-	974,379
Special assessments	-	-	1,565,385	1,042,987	-	180,271	-	2,788,643
Other	-	-	-	7,868	-	-	-	7,868
Due from other funds (Note 8)	71,908	-	300	87,600	-	18,060	-	177,868
<b>Total assets</b>	<b>\$ 1,341,185</b>	<b>\$ 1,121,790</b>	<b>\$ 2,864,628</b>	<b>\$ 1,252,738</b>	<b>\$ 1,464,541</b>	<b>\$ 795,970</b>	<b>\$ 43,130</b>	<b>\$ 8,883,982</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ 481,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 481,407
Accrued and other liabilities	13,113	-	-	-	-	-	-	13,113
Due to other funds (Note 8)	87,900	43,986	216	11,904	32,196	1,666	-	177,868
Deferred revenue (Note 6)	-	-	1,565,385	1,050,857	-	180,271	-	2,796,513
<b>Total liabilities</b>	<b>582,420</b>	<b>43,986</b>	<b>1,565,601</b>	<b>1,062,761</b>	<b>32,196</b>	<b>181,937</b>	<b>-</b>	<b>3,468,901</b>
<b>Fund Balances</b>								
Reserved for:								
Special Revenue Fund - Road								
Construction	-	1,077,804	-	-	-	-	-	1,077,804
Unreserved - Reported in:								
Debt Service Funds	-	-	1,299,027	189,977	-	-	-	1,489,004
Capital Projects Fund	-	-	-	-	1,432,345	614,033	-	2,046,378
Parks and Recreation Fund	-	-	-	-	-	-	43,130	43,130
Undesignated	758,765	-	-	-	-	-	-	758,765
<b>Total fund balances</b>	<b>758,765</b>	<b>1,077,804</b>	<b>1,299,027</b>	<b>189,977</b>	<b>1,432,345</b>	<b>614,033</b>	<b>43,130</b>	<b>5,415,081</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,341,185</b>	<b>\$ 1,121,790</b>	<b>\$ 2,864,628</b>	<b>\$ 1,252,738</b>	<b>\$ 1,464,541</b>	<b>\$ 795,970</b>	<b>\$ 43,130</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,412,851
Joint venture assets reported in governmental activities are not financial resources and are not reported in the funds	7,711,062
Reserves with County assets reported in governmental activities are not financial resources and are not reported in the funds	556,473
Special assessment and other receivables are expected to be collected over several years, and are not available to pay for current year expenditures	2,796,511
Accrued interest payable is not due and payable in the current period and is not reported in the funds	(504,298)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(11,071,720)
<b>Net assets of governmental activities</b>	<b>\$ 19,315,960</b>

# Howell Township, Livingston County, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2005

	Major Governmental Funds						Nonmajor Governmental Fund	Total Governmental Funds
	General Fund	Road Fund	Water Fund	Sewer Fund	Water Construction / MHOOG	Capital Projects Fund	Parks and Recreation Fund	
<b>Revenue</b>								
Property taxes	\$ 376,874	\$ 289,622	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 666,496
Licenses and permits	124,826	-	-	-	-	-	-	124,826
State-shared revenues	375,755	-	-	-	-	-	-	375,755
Charges for services	7,562	-	-	511,671	-	302,766	-	821,999
Special assessments	-	-	349,343	164,593	-	51,018	-	564,954
Interest, penalties, and other	18,749	15,545	21,768	7,757	30,876	8,224	315	103,234
Total revenue	903,766	305,167	371,111	684,021	30,876	362,008	315	2,657,264
<b>Expenditures</b>								
Current:								
General government	795,738	-	-	-	-	-	-	795,738
Public safety	3,289	-	-	-	-	-	-	3,289
Public works	59,921	93,355	3,563	801	-	98,893	-	256,533
Recreation and culture	281	-	-	-	-	-	-	281
Capital outlay	20,527	-	-	-	1,898,531	-	-	1,919,058
Debt service	-	-	528,356	887,902	-	-	-	1,416,258
Total expenditures	879,756	93,355	531,919	888,703	1,898,531	98,893	-	4,391,157
<b>Excess of Revenue Over (Under) Expenditures</b>	24,010	211,812	(160,808)	(204,682)	(1,867,655)	263,115	315	(1,733,893)
<b>Other Financing Sources (Uses)</b>								
Bond proceeds (Note 9)	-	-	-	-	3,300,000	-	-	3,300,000
Transfers in (Note 8)	-	-	-	-	-	15,000	-	15,000
Transfers out (Note 8)	(15,000)	-	-	-	-	-	-	(15,000)
Total other financing sources (uses)	(15,000)	-	-	-	3,300,000	15,000	-	3,300,000
<b>Net Change in Fund Balances</b>	9,010	211,812	(160,808)	(204,682)	1,432,345	278,115	315	1,566,107
<b>Fund Balances</b> - Beginning of year, as restated	749,755	865,992	1,459,835	394,659	-	335,918	42,815	3,848,974
<b>Fund Balances</b> - End of year	<u>\$ 758,765</u>	<u>\$ 1,077,804</u>	<u>\$ 1,299,027</u>	<u>\$ 189,977</u>	<u>\$ 1,432,345</u>	<u>\$ 614,033</u>	<u>\$ 43,130</u>	<u>\$ 5,415,081</u>

# Howell Township, Livingston County, Michigan

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2005**

**Net Change in Fund Balances - Total Governmental Funds** \$ 1,566,107

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Capital outlay	1,900,157
Depreciation	(290,763)
Change in reserves held at the County	141,489

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (297,399)

Issuance of bonds is a revenue in the governmental funds, but not in the statement of activities (3,300,000)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 1,030,740

Income from joint venture 1,079,590

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (9,013)

Interest expense is recorded in the statement of activities when incurred; it is not reported in the funds until paid (98,783)

**Change in Net Assets of Governmental Activities** \$ 1,722,125



# Howell Township, Livingston County, Michigan

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## Fiduciary Funds Statement of Net Assets June 30, 2005

	<u>Agency Funds</u>
<b>Assets - Cash and investments (Note 4)</b>	<b><u>\$ 130,148</u></b>
<b>Liabilities</b>	
Accounts and deposits payable	\$ 124,408
Due to other governmental units	<u>5,740</u>
 Total liabilities	 <b><u>\$ 130,148</u></b>

# **Howell Township, Livingston County, Michigan**

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## **Notes to Financial Statements June 30, 2005**

### **Note I - Summary of Significant Accounting Policies**

The accounting policies of Howell Township, Livingston County, Michigan (the Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Howell Township, Livingston County, Michigan:

#### **Reporting Entity**

Howell Township, Livingston County, Michigan is governed by an elected seven-member board. As required by accounting principles generally accepted in the United States of America, these basic financial statements represent Howell Township. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these basic financial statements.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

# Howell Township, Livingston County, Michigan

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## Notes to Financial Statements June 30, 2005

### **Note I - Summary of Significant Accounting Policies (Continued)**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** - The General Fund contains the records of the ordinary activities of the Township that are not accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Road Fund** - The Road Fund is used to account for road improvements and maintenance.

**Water Fund** - The Water Fund is set up as a debt retirement fund to pay off bonds sold for the construction of the water system and assessed to property owners.

**Sewer Fund** - The Sewer Fund is set up as a debt retirement fund to pay off bonds sold for construction of the sewer system and assessed to property owners.

# Howell Township, Livingston County, Michigan

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## Notes to Financial Statements June 30, 2005

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Water Construction/MHOG Fund** - The Water Construction/MHOG Fund is set up as a capital projects fund to acquire and construct water supply system improvements.

**Capital Projects Fund** - The Capital Projects Fund is used to account for future expenditures for capital projects (i.e., roof replacement, parking lot repavings, etc.)

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

#### **Property Tax Revenue**

Property taxes are assessed as of December 31. The related property taxes are billed on December 1 of the following year and become a lien at that time. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The 2004 taxable valuation of the Township totaled \$297,005,944, on which ad valorem tax levies consisted of .9044 mills for the Township's operating purposes and .9616 mills for special voted road millages. This millage resulted in property taxes generated of approximately \$268,000 in the General Fund. The millage along with property tax administrative fees and delinquent taxes consists of the approximately \$377,000 recorded in the General Fund. The special voted millage resulted in property taxes of \$285,600 which is recorded in the Road Fund Special Revenue Fund.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Capital Assets** - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Water and sewer distribution systems	50 years
Buildings and building improvements	30 years
Furniture and equipment	5 to 25 years

**Compensated Absences (Vacation)** - It is the Township's policy to permit employees to accumulate earned but unused vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Township does not have a policy to pay any amounts when employees separate from service with the Township. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

### Note 2 - Capital Projects Fund - Fund Balance

<b>Fund Balance</b> - Beginning of the year, as previously reported in the Capital Projects Fund	\$ 35,918
Adjustment for liability recorded in Capital Projects Fund that related to another fund	<u>300,000</u>
<b>Fund Balance</b> - Beginning of year, as restated	<u><u>\$ 335,918</u></u>

### Note 3 - Stewardship, Compliance, and Accountability

**Budgetary Information** - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Special Revenue Fund. The annual budget is prepared by the finance director and adopted by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget statement has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and the Road Special Revenue Fund budgets, as adopted by the Township Board, is included in the basic financial statements.

The Township had a significant variance in legal expenses due to two significant cases that were not anticipated at the time the budget was prepared and final amendments made.

# **Howell Township, Livingston County, Michigan**

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## **Notes to Financial Statements June 30, 2005**

### **Note 4 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated four banks for the deposits of its funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943 has authorized investment in bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; certificates of deposit, savings accounts, depository accounts, or depository of a financial institution; investment pools organized under the surplus funds investment pool act, 1982, PA 367. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the Township had \$4,632,931 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 5 - Reserves with County

In addition to the balance accumulated in the Township's Sewer Debt Service Fund, there are also sewer funds maintained by the County for drain operations and certain drain projects. These County-maintained funds have surpluses that are available to the Township to offset future costs of sewer projects.

The County also maintains Construction Funds for Township water system-related projects. The Township's share of the amount in these funds will be used to pay for related future construction expenditures.

The Township's portions of each of the County-maintained funds at June 30, 2005, are as follows:

**Sewer Funds:**

Howell Township Maintenance and Operation	\$ 422,200
Howell Township Sanitary Sewer	-
Howell Township Sanitary Sewer Improvements	104,074
Howell Township Sanitary Sewer 2001 Extension	4,148

**Construction Funds:**

Howell Joint Township Water System	3,039
Treatment Plant Series "D"	8,120
Treatment Plant Series "E"	14,892

Total reserves	<u>\$ 556,473</u>
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### Note 6 - Receivables

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 2,788,643	\$ -
Other receivables	<u>7,868</u>	<u>-</u>
Total receivables	<u>\$ 2,796,511</u>	<u>\$ -</u>



# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 7 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

<b>Governmental Activities</b>	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated:				
Land	\$ 25,392	\$ -	\$ -	\$ 25,392
Construction-in-progress	<u>-</u>	<u>1,898,531</u>	<u>-</u>	<u>1,898,531</u>
Subtotal	25,392	1,898,531	-	1,923,923
Capital assets being depreciated:				
Buildings and improvements	804,110	-	-	804,110
Furniture and equipment	174,933	1,626	-	176,559
Sewer system	12,022,339	-	-	12,022,339
Water system	<u>343,427</u>	<u>-</u>	<u>-</u>	<u>343,427</u>
Subtotal	13,344,809	1,626	-	13,346,435
Accumulated depreciation:				
Buildings and improvements	80,411	26,804	-	107,215
Furniture and equipment	52,101	16,644	-	68,745
Sewer system	423,929	240,446	-	664,375
Water system	<u>10,303</u>	<u>6,869</u>	<u>-</u>	<u>17,172</u>
Subtotal	566,744	290,763	-	857,507
Net capital assets being depreciated	<u>12,778,065</u>	<u>(289,137)</u>	<u>-</u>	<u>12,488,928</u>
Net capital assets	<u>\$ 12,803,457</u>	<u>\$ 1,609,394</u>	<u>\$ -</u>	<u>\$ 14,412,851</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 43,448
Public works	<u>247,315</u>
Total governmental activities	<u>\$ 290,763</u>

**Construction Commitments** - The Township has one active construction project at year end. The project is the MHOG Water Expansion. At year end the Township's commitment with contractors was:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
MHOG Water project	\$ 1,810,146	\$ 1,433,665

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 8 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Road Fund	\$ 43,986
	Water Construction / MHOG Fund	14,352
	Capital Projects Fund	1,666
	Sewer Fund	<u>11,904</u>
		71,908
Capital Projects Fund	Water Fund	216
	Water Construction / MHOG Fund	<u>17,844</u>
		18,060
Water Fund	Road Fund	300
Sewer Fund	General Fund	<u>87,600</u>
	Total interfund transfers	<u><u>\$ 177,868</u></u>

Interfund balances represent routine and temporary cash flow assistance and timing differences between the receipt of services and the settlement of interfund balances.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Capital Projects Fund	\$ 15,000

The transfers provide funding for capital acquisitions.

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 9 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements are also general obligations of the government. The Township has pledged its full faith and credit as collateral for the County contract obligations.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance
<b>Governmental Activities</b>						
General obligation bonds:						
Livingston County Joint Water System - Series B:						
Amount of issue - \$3,375,000						
Maturing through 2015	4.38%	\$ 175,000	\$ 1,925,000	\$ -	\$ (350,000)	\$ 1,575,000
Livingston County Joint Water System - Series D:						
Amount of issue - \$625,000	5.125% -	18,518 -				
Maturing through 2016	5.250%	39,352	430,558	-	(18,518)	412,040
Livingston County Joint Water System - Series E:						
Amount of issue - \$743,750	5.200% -	22,222 -				
Maturing through 2016	5.375%	53,472	510,419	-	(22,222)	488,197
Howell Township Sanitary Sewer Drain:						
Drainage District Drain Improvements:						
Amount of issue - \$7,210,000		605,000 -				
Maturing through 2011	4.960%	790,000	4,745,000	-	(575,000)	4,170,000
Howell Township Sanitary Sewer Drain:						
2001 Extension Drainage District:						
Amount of issue - \$1,320,000	3.875% -	65,000 -				
Maturing through 2021	4.900%	70,000	1,175,000	-	(65,000)	1,110,000
Howell Township :						
2004 General Obligation Limited Tax Bonds:						
Amount of issue - \$3,300,000	0% -	0 -				
Maturing through 2026	4.75%	275,000	-	3,300,000	-	3,300,000
Other long-term obligations:						
Compensated absences			7,470	9,013	-	16,483
Total governmental activities			\$ 8,793,447	\$ 3,309,013	\$ (1,030,740)	\$ 11,071,720

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 9 - Long-term Debt (Continued)

Annual debt service requirements (excluding compensated absences) to maturity for the above bonds and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2006	\$ 885,741	\$ 504,301	\$ 1,390,042
2007	1,029,074	462,177	1,491,251
2008	1,075,324	414,366	1,489,690
2009	1,135,324	363,836	1,499,160
2010	1,175,324	309,587	1,484,911
2011-2015	2,916,620	983,059	3,899,679
2016-2020	1,317,829	528,448	1,846,277
2021-2025	1,245,000	242,930	1,487,930
2026	275,000	13,063	288,063
Total	<u>\$ 11,055,236</u>	<u>\$ 3,821,767</u>	<u>\$ 14,877,003</u>

### Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for all of the above items. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

### Note 11 - Joint Ventures

#### Marion, Howell, Oceola, and Genoa Sewer and Water Authority

The Township is a member of the Marion, Howell, Oceola, and Genoa Sewer and Water Authority (the Authority, also referred to as "MHOG"). The Authority is incorporated by the townships of Marion, Howell, Oceola, and Genoa. The Authority is responsible for the operations of the joint water systems.

# Howell Township, Livingston County, Michigan

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## Notes to Financial Statements June 30, 2005

### Note 11 - Joint Ventures (Continued)

Howell Township's equity in this joint venture, as of June 30, 2005, is \$7,357,012 which is recorded on the government-wide statement of net assets.

The Authority is currently doing a substantial expansion of its capacity at a cost of \$10,000,000. At this time, a determination of the funding sources for this expansion has not been finalized. Potential sources of funding for the expansion include bonds issued by the Township which could be repaid from connection fees, operating rates, or contributions from the member communities, or a combination thereof. Alternatively, each member community may be required to contribute its share of the expansion, which may require the members to issue their own bonds or utilize other cash reserves.

Other than the potential contribution for the expansion discussed above, the Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of the above joint venture in the near future.

Complete financial statements for the Marion, Howell, Oceola, and Genoa Sewer and Water Authority can be obtained from the administrative offices at the Township of Oceola, Livingston County, Michigan.

Total assets	\$ 29,853,795
Total liabilities	\$ 425,745
Total net assets	\$ 29,428,050
Total operating revenue	\$ 1,585,707
Total operating expenses	\$ 1,716,594

# Howell Township, Livingston County, Michigan

## Notes to Financial Statements June 30, 2005

### Note 11 - Joint Ventures (Continued)

#### Howell Area Fire Authority

The Township is a member of the Howell Area Fire Authority, which was jointly incorporated by the City of Howell, Cohoctah Township, Marion Township, Oceola Township, and Howell Township (the Municipalities) for the purpose of providing fire protection and other emergency health and safety services to the Municipalities. The Township appoints a member to the joint venture's governing board which then approves the annual budget. During the prior year, the funding for the Authority changed from contributions from the Municipalities to a dedicated taxpayer-approved millage. The Township's equity interest in the joint venture at June 30, 2005 is \$354,050 which is recorded within the governmental activities column in the statement of net assets. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements of the Authority can be obtained from the administrative offices at the Township of Howell, Michigan.

Total assets	\$ 1,778,134
Total liabilities	\$ 104,931
Total net assets	\$ 1,673,203
Total revenue	\$ 1,934,221
Total expenses	\$ 1,970,878

### Note 12 - Defined Contribution Pension Plan

The Township provides retirement benefits to all of its elected officials, appointed deputies of elected officials, and Township employees who are regularly employed for more than 24 hours per week through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus or minus investment earnings or losses. Employees are eligible to participate upon hire. As established by the Township Board, the Township contributes 15 percent of employees' gross earnings. Additionally, participants may contribute up to 10 percent of gross earnings on an after tax basis. In accordance with these requirements, the Township contributed approximately \$54,000 during the year. No amounts were contributed by the participants.

### Note 13 - Subsequent Events

Subsequent to June 30, 2005, the Township has committed to borrow \$9,995,000 in additional Special Assessment Limited Tax Bonds.

## **Required Supplemental Information**

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# Howell Township, Livingston County, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 379,885	\$ 379,885	\$ 376,874	\$ (3,011)
State sources	387,738	387,738	375,755	(11,983)
Interest income	13,000	13,000	8,890	(4,110)
Cable TV franchise fee	24,000	24,000	25,487	1,487
Nonbusiness licenses, permits, and fees	27,400	27,400	20,347	(7,053)
Collection fees	13,000	13,000	13,244	244
Zoning fees	20,000	20,000	52,338	32,338
Zoning Appeal Board	200	200	6,400	6,200
Reimbursed fire runs	-	-	1,460	1,460
Land division fees	4,200	4,200	5,550	1,350
Charges for services	37,530	37,530	7,562	(29,968)
Other	11,750	11,750	9,859	(1,891)
Total revenue	918,703	918,703	903,766	(14,937)



# Howell Township, Livingston County, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenses</b>				
Township Board	\$ 22,700	\$ 22,700	\$ 22,638	\$ 62
Supervisor	26,600	27,400	27,531	(131)
Clerk	34,262	35,463	35,484	(21)
Manager	117,750	117,750	110,422	7,328
Election expenses	7,950	15,950	10,633	5,317
Treasurer	31,263	31,263	29,484	1,779
Finance director	70,240	70,240	67,414	2,826
Professional services:				
Legal	72,500	102,500	131,858	(29,358)
Other	21,800	21,800	21,035	765
Tax roll preparation	6,000	6,000	2,577	3,423
Township Hall expenses	21,850	18,350	18,320	30
Township general expenditures	85,000	98,570	96,182	2,388
Cemetery and memorials	6,700	5,550	5,437	113
Planning Commission	14,850	14,850	11,294	3,556
Planning consultant	19,000	19,000	17,301	1,699
Board of Appeals	4,350	4,350	2,680	1,670
Board of Review	1,000	1,080	1,121	(41)
Street lighting	4,500	4,500	4,788	(288)
Fire department	4,530	4,530	3,289	1,241
Drains	38,000	50,000	49,948	52
Payroll taxes	33,300	33,300	29,066	4,234
Assessor	92,715	84,585	61,680	22,905
Insurance	24,000	15,200	15,060	140
Engineering	10,000	10,000	5,185	4,815
Economic development	2,500	2,500	-	2,500
Recreation and cultural	110,175	62,605	2,471	60,134
Employees' life insurance	18,500	22,800	21,694	1,106
Retirement	59,000	58,000	53,917	4,083
Meetings	640	840	720	120
Capital outlay	25,000	25,000	20,527	4,473
Operating transfers	15,000	15,000	15,000	-
Total expenses	1,001,675	1,001,676	894,756	106,920
<b>Net Revenue Over (Under)</b>				
<b>Expenses</b>	(82,972)	(82,973)	9,010	91,983
<b>Fund Balance - Beginning of year</b>	749,755	749,755	749,755	-
<b>Fund Balance - End of year</b>	<u>\$ 666,783</u>	<u>\$ 666,782</u>	<u>\$ 758,765</u>	<u>\$ 91,983</u>

# Howell Township, Livingston County, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Special Revenue Fund - Road Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 287,656	\$ 287,656	\$ 289,622	\$ 1,966
Interest income	<u>10,000</u>	<u>10,000</u>	<u>15,545</u>	<u>5,545</u>
Total revenue	297,656	297,656	305,167	7,511
<b>Expenses</b>				
Road maintenance	95,596	95,596	29,693	65,903
Road - Chloride	<u>73,414</u>	<u>73,414</u>	<u>63,662</u>	<u>9,752</u>
Total expenses	<u>169,010</u>	<u>169,010</u>	<u>93,355</u>	<u>75,655</u>
<b>Net Revenue Over Expenses</b>	128,646	128,646	211,812	83,166
<b>Fund Balance - Beginning of year</b>	<u>865,992</u>	<u>865,992</u>	<u>865,992</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><u>\$ 994,638</u></u>	<u><u>\$ 994,638</u></u>	<u><u>\$ 1,077,804</u></u>	<u><u>\$ 83,166</u></u>

## **Other Supplemental Information**

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# Howell Township, Livingston County, Michigan

## Other Supplemental Information Combining Statement of Agency Funds Fiduciary Funds Year Ended June 30, 2005

	Agency Funds				
	Trust & Agency Fund	Sewer Agency Fund	Current Tax Fund	Health Flex	Total
<b>Assets - Cash and investments</b> (Note 4)	<u>\$ 116,940</u>	<u>\$ 8,313</u>	<u>\$ 45</u>	<u>\$ 4,850</u>	<u>\$ 130,148</u>
<b>Liabilities</b>					
Accounts and deposits payable	\$ 111,245	\$ 8,313	\$ -	\$ 4,850	\$ 124,408
Due to other governmental units	<u>5,695</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>5,740</u>
Total liabilities	<u>\$ 116,940</u>	<u>\$ 8,313</u>	<u>\$ 45</u>	<u>\$ 4,850</u>	<u>\$ 130,148</u>

December 5, 2005

To the Township Board  
Howell Township

We recently completed our audit of the basic financial statements of Howell Township for the year ended June 30, 2005. During the performance of our audit, we noted items related to the internal control systems and operations as a whole that we would like to bring to your attention. All items are presented for your consideration on attachments as outlined below:

Title	Page
<b>Recommendations</b>	
General Ledger Monitoring	2
Accounts Payable	2
Special Assessments	3
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Municipal Qualifying Statement	3

We appreciate the opportunity to be of service to Howell Township. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward to continuing our relationship with the Township. Should you wish to discuss any of the items included in this letter, we would be happy to do so.

## **General Ledger Monitoring**

During the current year the Township converted its general ledger system into a new software package. During the transition to the new software, many of the fund equity balances did not roll forward properly. In our initial review of the trial balance, accounts did not appear to be reviewed (including fund balance, due to/from accounts, transfer accounts, etc.). As a result of our initial review, we determined the Township's records were not ready to be audited. We came back at a later date in order to begin the audit. Even after the second start, there were still approximately 20 journal entries recorded (not including GASB #34 entries) after the trial balance was received again. These journal entries included entries to properly record accounts payable, special assessment receivables, special assessment deferred revenue, performance deposit payables, and proceeds of bonds.

A major control over financial records is the monitoring of the general ledger. The purpose of monitoring the general ledger is to ensure activity that occurred at the Township is properly reflected in the general ledger. This is essential so that management and the Board can have accurate monthly financial information to make informed decisions. Monitoring of the balance sheet, as well as the revenue and expenditure activity, should occur monthly and include evaluation and investigation of unusual fluctuations and unrecorded transactions for accurate reporting of financial information. Furthermore, it assists the Township in a more timely closure of the year-end process and enables the Township to identify and resolve issues on a more timely basis.

We have provided the Township with a checklist to assist them with the monthly process that should be performed to assist with ensuring a complete review of balance sheet and income statement accounts is performed on a regular monthly basis.

## **Accounts Payable**

With the conversion to the new accounting system during the year, the Township should utilize the system's capabilities relating to tracking accounts payable. Using the system, the Township should track accounts payable by fund, listed by vendor, in order to have an updated accounts payable listing at all times during the year. In addition, the accounts payable balance on the general ledger should be reconciled quarterly to the detailed subsidiary ledger.

While testing accounts payable for the current year, we noted several invoices that were incorrectly excluded from the accounts payable balance at year-end. We suggest journal entries to correctly include these invoices in the accounts payable balance at June 30, 2005. The Township should put procedures in place to effectively capture all accounts payable throughout the year and at year-end. These procedures should include notation on all invoices received near or within one month of year-end telling which period the invoice should relate to.

December 5, 2005

### **Special Assessments**

During our testing of the special assessments, we noted that the general ledger did not originally tie out to the special assessment roll. We would suggest that after the annual settlement with the County, the Township run reports out of the BS&A software for special assessments and ensure that the special assessment reports tie out to all of the trial balance accounts affected - including the special assessment receivable, special assessment deferred, and special assessment revenue.

### **Fixed Assets and Depreciation**

In the current year, we noted several assets that were fully depreciated on the Township's schedule which had additional depreciation in the current year, which meant that the Township had taken more accumulated depreciation than the original cost of the asset. Any assets that are fully depreciated should be kept on the Township's schedule for tracking purposes; however, the assets should not record additional depreciation.

### **Municipal Finance Act Revisions**

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township's June 30, 2005 year end and is good for one year thereafter. Additionally, the Township is required to file Form F-65, Annual Local Unit Fiscal Report, by December 31, 2005.

Very truly yours,  
**Plante & Moran, PLLC**



Leslie J. Pulver, CPA  
Partner



Katey Forth, CPA  
Associate